

October 2003

# **CHARITABLE CHATTER**

## **The Department of Charitable Gaming Newsletter**

**Commonwealth of Kentucky  
Paul E. Patton, Governor**

**Cabinet for Public Protection and Regulation  
Janie A. Miller, Secretary**

**The Department of Charitable Gaming Executive Staff**

John Winstead, Commissioner  
Carla Arnold, Deputy Commissioner  
Marty Hammons, Staff Assistant  
Chris Stallings, Staff Attorney

Leah R. Cooper, Assistant Director of Licensing &  
Compliance  
Ed Sobolewski, Assistant Director of Enforcement

### **QUARTERLY REPORTS MUST BE POSTMARKED BY October 30, 2003**

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#### **COMMISSIONER'S CORNER**



The 2<sup>nd</sup> Annual Conference recently held in Louisville by the Department of Charitable Gaming was a great success. The Department registered 208 people representing seventy-two (72) organizations, eight (8) facilities, nine (9) distributors and fourteen (14) manufacturers for the conference.

The Department would like to thank the Holiday Inn Louisville South, Janie Miller, Secretary of Public Protection and Regulation Cabinet, Ann Latta, Secretary of Tourism Cabinet, Mike Stone, John Perkins, Karen Fitch, Dan Miller and all the manufacturers and distributors that participated in the conference.

The staff at the Department is reviewing the evaluations submitted during the conference. Your suggestions and comments are greatly appreciated. The

Department will use the suggestions to improve the agenda for the 3<sup>rd</sup> annual conference.

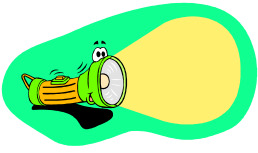
The winner of the Department's door prize consisting of two (2) nights lodging, dinner, and breakfast at a State Park of their choice was Frank Douglas. Mr. Douglas is the Commander of the American Legion #167 – Abraham Lincoln Post, Organization #0000328, of Bardstown Kentucky.

**Congratulations Mr. Frank Douglas!**



Finally I would like to thank the staff of the Department of Charitable Gaming for making the conference a success. Their professionalism, hard work and dedication shined during the conference. The staff not only worked hard during the conference, but they deliver a valuable service to all of our licensee's day in and day out.

**THANK YOU STAFF!**



# ***STAFF SPOTLIGHT***



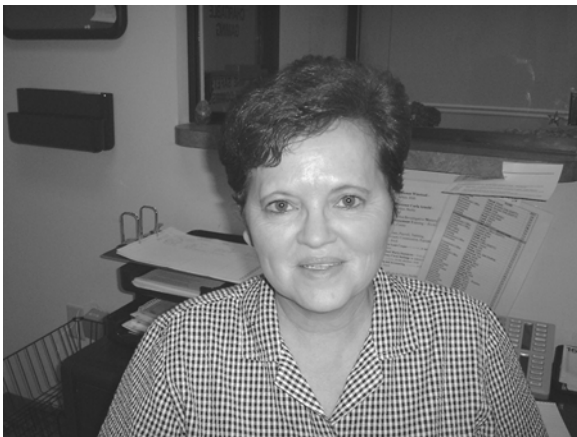
## ***Branch Manager***

Ms. Castle has worked in state government for nineteen years. During her tenure, she has served in various capacities in the Transportation Cabinet, Health Services Cabinet, Justice Cabinet, and Public Protection and Regulation Cabinet. She is presently Licensing Branch Manager for the Department of Charitable Gaming. Ms. Castle oversees the

licensing process for approximately 1,000 entities. Prior to employment with state government, she was employed in the private sector.

Ms. Castle is a graduate of Mayo Vocational School and attended Lindsey Wilson College. She lives in Danville with her husband, Bill. They have 1 son and 3 grandchildren.

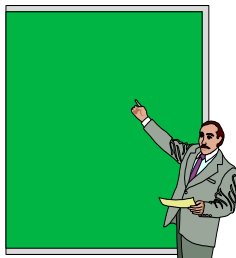
## ***Administrative Assistant***



I bet you wonder who you are talking to when you call the Department of Charitable Gaming. There is a good chance it is Judy Cobb. Judy is in charge of answering phones and recordkeeping. Judy will be with the Department of Charitable Gaming for one year this October. Prior to state government, Judy spent twenty-four years working in the accounting department for a rural car dealership. Judy resides in Owenton with her husband Larry, and they have 3 children and 7 grandchildren ranging from the age of one week to fourteen years old.

**Mark  
Your  
Calendar**

All licensees will be receiving a survey relating to legislative issues/concerns for the upcoming 2004 legislative session. The Department is requesting that each licensee complete and return the survey no later than October 30th. The Department is requesting that only one survey be completed by each licensee. If you have not received your survey, please call the Department of Charitable Gaming at 502-573-5528 or 1-800-729-5672 and we will send a survey to you.



## **TRAINING AVAILABLE!!!**

Don't forget that training is available the first Tuesday of every month at the Department in Frankfort, KY beginning at 9:30 a.m. in our conference room. Please call and let us know when you can attend!! If you have a group of twenty (20) or more individuals in your area interested in the training, we will bring the training to you! Please call us at 502-573-5528 or 1-800-729-5672 to make those arrangements. We look forward to hearing from you!!!!

# WINNING TRENDS

During the first quarter of 2003, there was a trend in the economy that sent charitable gaming gross receipts down. This was not only the case in Kentucky but states across the nation that have some form of charitable gaming. Compared with the first quarter of 2002, the 2003 gross receipts were down by almost \$13 million dollars; an eight percent (8%) decrease overall. This decrease was also accompanied with an attendance decline across the state. According to reports, attendance was down by 105,000 people during the first quarter of 2003. However, even with these alarming numbers, there was a bright spot for charitable gaming. Payouts and expenses were both down by about \$12.5 million dollars and \$600 thousand dollars respectively. This made net receipts for both years relatively the same with a small difference of around \$150 thousand dollars. The good news is the retention average continues to rise even in tough economic times. During the first quarter of 2002, the average retention was 57.56%. However, during the first quarter of 2003, the average retention was 59.20%. The charities should be proud of how they are managing their funds during this trying time in the economy. Below is the overall number comparison:

	1st Qtr 2003	1st Qtr 2002	Difference	Percent
Bingo	\$ 28,940,112.32	\$ 30,180,515.61	\$ (1,240,403.29)	-4.11%
Pulltabs	\$ 119,254,230.15	\$ 131,785,144.12	\$ (12,530,913.97)	-9.51%
Raffles	\$ 2,049,113.01	\$ 1,381,253.27	\$ 667,859.74	48.35%
NC Prize Wheels	\$ 71,648.99	\$ 125,955.33	\$ (54,306.34)	-43.12%
Special License Activity	\$ 1,365,197.06	\$ 1,007,717.22	\$ 357,479.84	35.47%
Return Check Collected	\$ 240,960.59		\$ 240,960.59	
Returned Checks	\$ (362,734.35)		\$ (362,734.35)	
Total Gross Receipts	\$ 151,558,527.77	\$ 164,480,585.55	\$ (12,922,057.78)	-7.86%
Payouts	\$ 126,275,500.22	\$ 138,737,345.15	\$ (12,461,844.93)	-8.98%
Adjusted Gross	\$ 25,283,027.55	\$ 25,743,240.40	\$ (460,212.85)	-1.79%
Expenses	\$ 10,315,096.74	\$ 10,924,805.56	\$ (609,708.82)	-5.58%
Net Receipts	\$ 14,967,930.81	\$ 14,818,434.84	\$ 149,495.97	1.01%
Percentage	59.20%	57.56%		
Attendance	1,340,493	1,445,580	(105,087)	-7.27%

# Audit Confirmation Letter- HUH?

During the recent Gaming Conference, the question was asked, "if our organization is selected for an audit, what records will we need to produce?" The best way to answer that question is to show a copy of the letter below the Audit Branch sends out to confirm a scheduled audit.

April 21, 2003

ATTN: CEO  
Organization  
Address  
City, State Zip

RE: License No.: ORG00000

Dear CEO:

This letter is to confirm my conversation with you on (Date) scheduling a review of your organization's charitable gaming books and records. I will meet you at (Time) on (Date) at the (Location, Address). The audit period will be (Month/Year through Month/ Year). Please have the following records available:

1. Session sheets for the period of (Month /Year through Month/Year)
  2. Check register for general and gaming accounts
  3. Bank statements for general checking account, gaming checking account and any other checking account that your organization might have
  4. Canceled checks for general checking account, gaming checking account and any other checking account that your organization might have
  5. Invoices for charitable gaming expenses
  6. Current inventory of all pulltabs (including serial numbers)
  7. All unsold pulltabs, winning pulltabs and seal cards valued at \$50 or more, raffle records, door prize acknowledgements, and records of all winners of prizes valued \$600 or more separated by session
  8. A list of all donations made for the period (include date and check number)
  9. Minutes from the Board of Directors meetings from (Month/Year through Month/Year)
  10. Special License conducted during (Month/Year through Month/Year)
- If you have any questions or need to reschedule, please call the office at (502) 573-5528 or (800) 729-5672.

Sincerely,

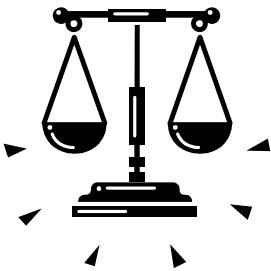
Auditor

cc: Charles E. Brock Jr. CPA, Audit Branch Manager

This letter lists most of the information that the Department's Auditors may require your organization to make available. If your session sheets are computer generated, the auditors will need to see any original documents that were used as the source for those documents. Whether they are hand-written notes or session sheets, **DO NOT THROW THEM AWAY.** It is very important that those records be retained as back-up verification for your computer generated session sheets.

If you have any other records that are unique to your organization, that are not listed on this letter, please make them available to our auditors. The more that the auditors can understand your records, the more accurately they can audit your records.

Our audit period is three years in length for charitable organizations and the auditors will request that you make three years of records available for their examination. If you have not been gaming that long, then your audit period will start at the time of your first session and end at your most recent. We understand that an audit can be a worrisome process but we try to keep things as professional and convenient as possible and we ask that if your organization is audited that you try to do the same.



FROM THE OFFICE OF GENERAL COUNSEL

The Department of Charitable Gaming processes many Open Records Requests on a regular basis. As defined in KRS 61.872, a public agency is afforded three (3) days from the date the request is received in which to respond to the application. This is where you can help. When submitting an open records request form, **please include the following:** (a) Applicant's signature; (b) Applicant's name printed legibly; and (c) Specific description of records to be accessed. When a request is submitted without pertinent information or an adequate description of the records, it places an additional burden on the Department to identify the records to be provided. This additionally slows down the processing of other open records requests and fulfilling our requirements under the Open Records Law.

The Open Records Request form can be accessed through the Department's web site or you can call the office and a form can be faxed or mailed to you upon your request. **REMEMBER:** A response to an open records request is rarely available upon immediate receipt of the request. If you have questions or need assistance with submitting an Open Records Request, please contact the Office of General Counsel and we will be glad to help.

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## RUMOR MILL:

### **FALSE**

Rent will be excluded from the 40%.

### **TRUE**

There is no current proposal to exclude rent from the 40%. This had been proposed by some facility licensees with a rent cap at the current rate.

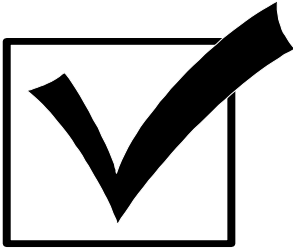
### **FALSE**

Charities are now allowed to game in adjoining counties.

### **TRUE**

The county residency requirement has not changed. This change may be proposed in the next legislative session.





## OFFICE CHECK-

### **THE CHARITABLE GAMING CHECKING ACCOUNT**

The Charitable Gaming Account is something all licensed organizations and exemptions must have in order to comply with statute requirements. This separate account must be maintained at a financial institution within the Commonwealth of Kentucky. Only receipts received from charitable gaming may be deposited into this account. Deposits must be made within two business days after the completion of an event. Deposits should **NOT** include dauber sales, donations from patrons, or ATM income.

Disbursements from the gaming account must be made by check having preprinted consecutive numbers or electronic transfer. If checks are used, these checks must have the words "charitable gaming account" and the organization's license number located on them. The checks drawn on the gaming account must be for charitable gaming expenses, purchased prizes, and donations.

Charitable Gaming Expenses include the following:

**Charitable Gaming Supplies and Equipment:** This is purchases from a licensed distributor for supplies and equipment. It would include items such as bingo paper, pulltabs, wheels, bingo blowers, card minding devices, flashboards, etc.,... This would **NOT** include the purchase of daubers, paper clips, pencils, paper, staples, concession stand supplies, etc..... These general supplies bought from Wal-Mart and other Department stores are not to be purchased from the gaming account and therefore will not impact your 40%.

**Rent:** This is for the rental of space to conduct a charitable gaming session.

**Utilities:** This is for utilities associated with your charitable gaming event. This could be gas, electric, water, etc.

**Insurance:** This is for insurance coverage associated with your charitable gaming event.

**Advertising:** This is for any promotional advertisement for your charitable gaming event. This could be an ad placed in the paper or a magazine, billboard display, radio or TV advertisement. This would also include a promotion where you gave away a prize to everybody who attended your event.

**Janitorial:** This is to have someone clean the premises after your session. This does **NOT** include janitorial supplies such as toiletries, soap, and cleaning supplies.

**Bookkeeping:** This is an expense to have someone complete your quarterly report form. It does not include the completion of the session sheets which is prohibited by statute, and does **NOT** include 990's and other federal filings which can be paid out of the general account because they are not gaming expenses.

**Security:** This is an expense for security services associated with your event.

**Membership dues:** This is for Kentucky Charitable Gaming Association Dues (KCGA).

**Other:** This includes things such as bank charges, check verification, volunteer food, fees to the Department, federal excise tax, anything that makes a volunteer readily identifiable, etc.... see 820 KAR 1:120. Other does **NOT** include **CHECK CASHING** services.

The checks can only be signed by an officer of the organization. All other rules regarding the handling of the account, i.e., whether two signatures are required, etc., are governed by the By-laws of the individual organization.